
Modern Strategic Management: Balancing Strategic Thinking and Strategic Planning for Internal and External Stakeholders

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Abstract

The later years of the 20th century were spent searching for new strategy paradigms as managers and researchers sought to resolve the intricacies of customising strategy process and content to context. In particular, this paper builds on a popular view in the strategy literature that all individuals in the organisation can think strategically, not just the CEO. In the modern organisation, all staff are encouraged to demonstrate autonomy and responsibility combining thought, analysis, and action. In this context the paper goes on to explain the interaction of internal and external stakeholders in the organisation from the board of directors down to line management in an evolved or sophisticated strategy process. Contemporary definitions of strategic thinking, strategic planning, and strategic management are developed.

Introduction

The popularity of strategic planning peaked in the 1960s with the contributions of Kenneth Andrews (1965) and Igor Ansoff (1965) and their rational, analytical strategic planning models. However, experience as early as the 1970s and into the 1980s taught an important lesson in that these prescriptive approaches (Mintzberg, 1990; Mintzberg, Ahlstrand and Lampel, 1998; Mintzberg and Lampel, 1999) to strategic planning are of little practical use in an uncertain environmental context. Mintzberg (1978) made an important insight when he distinguished between the intended and the emergent strategy of the organisation. Later contributions from Ohmae (1982), Peters and Waterman (1982), Mintzberg (1994, 2000), Prahalad and Hamel (1994), Liedtka (1998a, 1998b), Heracleous, (1998) and Markides (2000) have discussed and advanced our awareness of and insight into the activities of strategic thinking, strategic planning and strategic management.

From this past we now have a greater awareness of what the strategy paradigm can and cannot do for an organisation and the importance of the interaction of internal and external stakeholders in participating in the strat-

egy process. In particular, this paper agrees with Liedtka (1998) that all individuals in the organisation can think strategically, not just the CEO. In the modern organisation all staff are encouraged to demonstrate autonomy and responsibility combining thought, analysis and action. In this context the paper goes on to explain the interaction of internal and external stakeholders in the organisation from the board of directors down to line managers in an evolved or sophisticated strategy process. Contemporary definitions of strategic thinking, strategic planning, and strategic management are developed.

Strategic Thinking

Terminology in the field of strategic management is a contentious issue (Markides, 2000) with different writers using similar terminology in different ways in an effort to present their ideas as new and fresh. The introduction of the term strategic thinking to the strategy literature has served to create further confusion with a strong debate at present on what actually constitutes strategic thinking.

There has been little attention given in the literature to identifying what strategic thinking looks like in a practical setting (Liedtka, 1998) and this is a significant void given the strength of the debate in journals and conferences on this important organisational activity. Review of empirical journals also indicates little or no attention to relating a theoretical understanding of strategic thinking to the substantial body of strategic management empirical research.

Review of the strategy literature indicates that it is possible to take a "broad" or a "narrow" definition of strategic thinking. A narrow definition of strategic thinking emphasises eastern, generative, creative, synthetic, divergent thought processes and is usually associated with writers such as Mintzberg (1994) and Ohmae (1982). The focus of the strategists is the high level issues of mission and vision for the organisation. A broad definition of strategic thinking seeks to combine eastern, generative, creative, synthetic, divergent thought processes with a western, rational, analytical, convergent approach to problem solving. This view of strategic thinking is associated with writers including Liedtka (1998), Wilson (1994, 1998), and Raimond (1996).

Wilson (1998:511) points out:

"... if one thing is clear from the experience of the past 20 years, it is that innovative strategies do not emerge from sterile analysis and number-crunching; they come from new insights and intuitive hunches. Equally clear, how-

ever, is the fact that intuition if it is to be strategically helpful, must be grounded in facts ... in dealing with current complexities today's strategist must supplement instinct with more explicit analysis".

Strategic thinking taking this broader perspective is much more than addressing high level mission and vision issues for the organisation. Following this background, a definition of strategic thinking is then proposed for future empirical research; *strategic thinking* is a particular way of solving strategic problems at the individual and institutional level combining rational and generative thought processes. In strategic thinking, thought and action can be intertwined or linear or something in between (Eccles, 1993) depending on the strategy context confronting the organisation. There is no single formula to strategic thinking for the individual or organisation and it is evident from the lessons of the evolution of strategy (O'Shannassy, 2001) that practising managers need some flexibility in problem solving style. As such a "broad" definition of strategic thinking is preferred.

Having established a "broad" definition of strategic thinking the next step is to identify the specific elements of strategic thinking. Examination of the literature assists in identifying several key elements that should be included in the development of any such model.

Firstly, drawing on the writing of Liedtka (1998a, 1998b) it is evident that a strategic thinker requires a clear mental picture of the complete system of value creation within the organisation and the individual's role within the larger system. In order for an organisation or open system to be able to respond flexibly and responsively to customers and markets, the organisation will require access to flexible inputs. The inputs required will vary from firm to firm and industry to industry, however, there will generally be four categories. These categories are flexible technology and machines, flexible people, flexible structures and flexible systems and processes (Ahmed, Hardaker and Carpenter, 1996:562). The "soft" people and systems aspect of Ahmed et al's (1996) message can be developed further drawing on Peters and Waterman's (1982) classic McKinsey "7-S Model" to include leadership style, staff skills, and culture or shared values.

Secondly, a core focus of strategic thinking is problem solving. A systems perspective facilitates strategic thinkers at all levels of the firm identifying problems, hypotheses or propositions for investigation with an understanding of the wider business context. This problem solving or "scientific" orientation allows the use of either or both of intuition or analysis depending on needs (Liedtka, 1998a, 1998b; Wilson, 1994, 1998).

Thirdly, it is evident that the modern perception of strategic thinking encourages the participation of internal and external stakeholders (Mintzberg, 1994; Liedtka, 1998a, 1998b, 2000). This contrasts with traditional approaches to strategy which have focused on the chief executive officer as being the chief strategist in the organisation. Employees are given greater autonomy in their roles as the organisation devolves responsibility from the centre in response to uncertainty (Wilson, 1994). External consultants in particular and at times other external stakeholders (for example, creditors, suppliers in respect of the total quality management literature, lenders, equity investors) may also have an input to firm strategy from time to time.

Fourthly, where responsibility for organisation strategy is devolved from the centre there is a need for a clear, direct, intuitive understanding among employees of the future direction of the company. A clear statement of the organisation's strategic intent (Hamel and Prahalad, 1989) provides the necessary focus to allow employees to direct their efforts and resist distraction when confronted by environmental uncertainty.

Fifth, strategic thinking requires consideration of the past, present and future of the organisation. Liedtka (1998a) terms this "thinking in time" emphasising the value of the predictive value of the past and a clear perception of the present in determining the future of the organisation. The history and ethos of the business often linked to the founder can remain of value many years after they move on. There is often a cultural legacy of a decision-making and problem solving style which continues to be relevant as the successful organisation matures and employees accept processes and strategic priorities (Christensen and Overdorf, 2000).

The output or outcome of strategic thinking will be a solution to strategic problems and a conceptualisation of the future of the firm, disruption of the alignment of the McKinsey "7-S Model" as new futures are considered, and greater commitment of internal and external stakeholders to the strategy resulting from their greater inclusion in the strategy process. Similar to branches of the theory of reasoning (Donaldson and Lorsch, 1984; Isenberg, 1984) and decision-making (Langley, 1995) strategy formulation and implementation are seen as taking place either concurrently, sequentially or something in between (Eccles, 1993), allowing flexibility in the use of intuition and analysis to the manager at the "coal face". Organisations will have greater responsiveness to customers and markets (Wilson, 1994), the ability to rapidly change (Tushman and O'Reilly III, 1997), and enhanced ability to manage change.

Strategic Planning and Strategic Programming

Henry Mintzberg in his insightful 1994 *Harvard Business Review* article “The Fall and Rise of Strategic Planning” argues that the practice of strategic planning “has really been strategic programming, the articulation and elaboration of strategies or visions that already exist” (Mintzberg, 1994: 107). Mintzberg’s (1994) view of the activity of strategic planning and the relationship of planning with thinking provides a useful background to an elaboration of what a sophisticated, contemporary strategy process designed to cope with an uncertain contextual environment may look like.

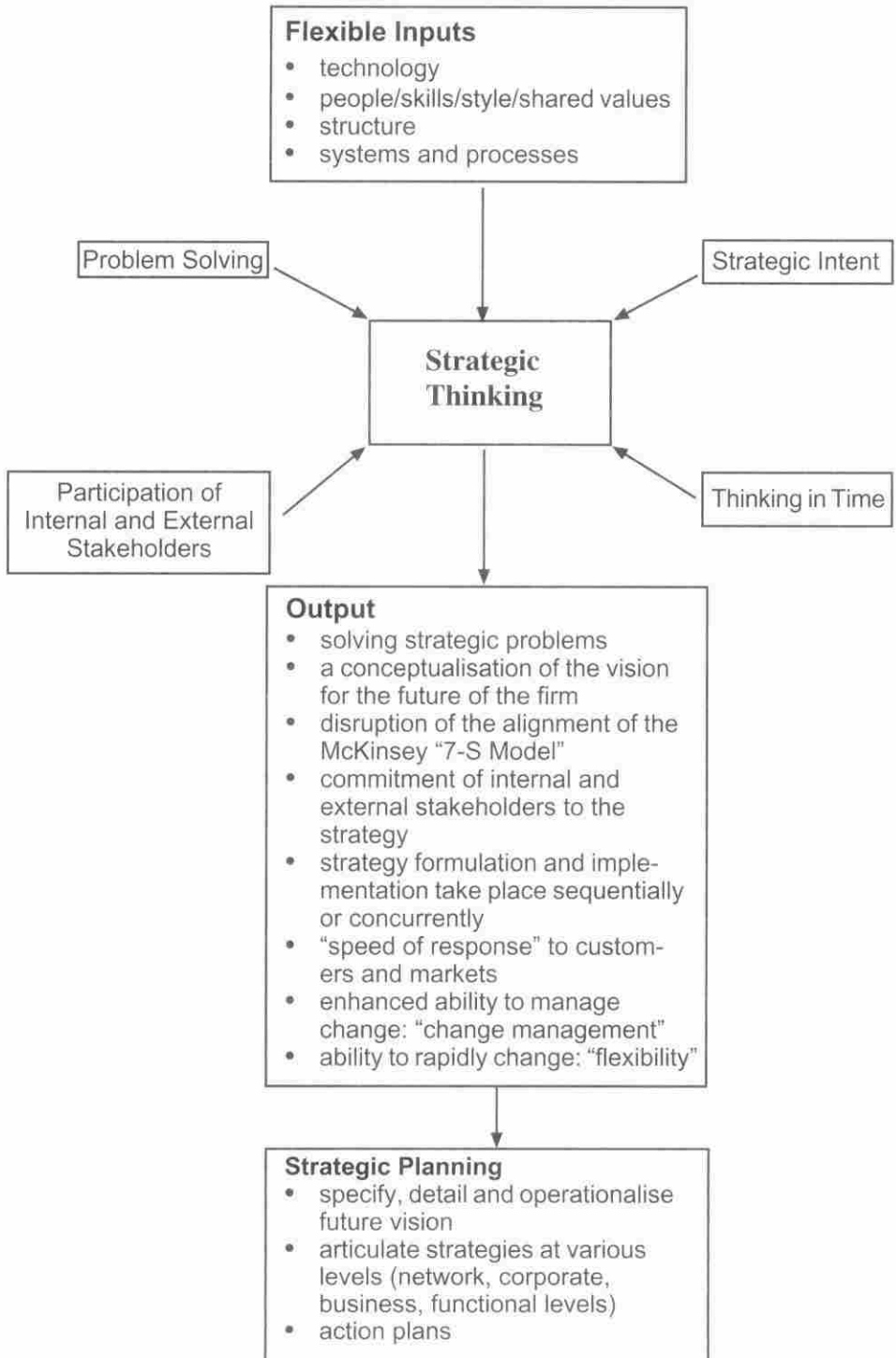
Mintzberg (1994: 112) observes that strategic programming involves the “codification, elaboration and conversion of strategies” that have already been developed from the strategic thinking activities of individuals and the institution as they attempt to disrupt and realign the organisation in the context of the McKinsey 7-S Model in an effort to encourage change and adaptability (Liedtka, 1998b) to customers and markets. Strategic programming requires the operationalisation (Heracleous, 1998) of the vision for the future of the organisation, the preparation of substrategies and action plans for staff to execute (Mintzberg, 1994), and careful consideration of and alignment of issues at network, corporate, business and functional levels of the organisation.

Liedtka (1998b) also discusses the relationship between strategic thinking and strategic planning in the context of the McKinsey 7-S Model. Peters and Waterman (1982: 9–11) argue that organisations seek to align firm “hardware”—strategy and structure—and “software”—leadership style, systems, staff, skills and shared values. Liedtka (1998b: 33) observes in this context:

“A broadened view of the strategy-making process ... would incorporate both strategic thinking and strategic programming as related activities, each valuable in its own right, in an ongoing process of creating and disrupting the alignment between an organisation’s present and its future”.

The literature clearly indicates that in a modern, sophisticated strategy process designed to deal with an uncertain contextual environment, there is a place for both the activities of strategic thinking and strategic planning.

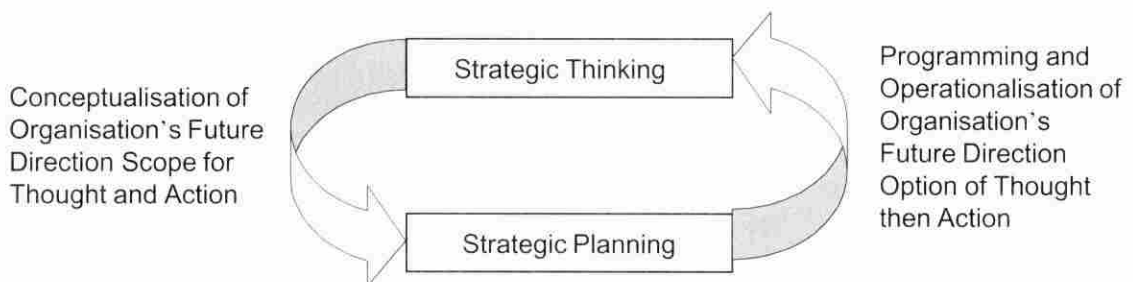
Following then from this discussion of the elements of strategic thinking and strategic planning the following model of a modern, sophisticated strategy process is proposed.

Model 1: Strategic Thinking Strategic Planning

Modern Strategic Management Revisited

Strategic management has traditionally been perceived as involving the planning, directing, organising, and controlling of organisation strategy (Pearce and Robinson, 1997). However, in a modern sophisticated strategy process we have seen this linear relationship between strategy formulation and implementation is not so simple. Heracleous (1998: 486) observes that now "... strategic thinking and strategic planning are interrelated in a dialectical process, where both are necessary for effective strategic management". Heracleous (1998) is another writer who argues that strategic thinking is associated with creativity and strategic planning with analysis. He sees managers constantly switching between the two distinct but interrelated thought processes. I concur broadly with Heracleous on his explanation of contemporary strategic management. Specifically, I agree with Heracleous on the need for both strategic thinking and strategic planning, but I am inclined to join Liedtka (1998a, 1998b), Wilson (1994, 1998) and Raimond (1996) in arguing a little more strongly that strategic thinking combines creativity and analysis which facilitates a problem solving or hypothesis oriented approach. The outcome of the strategic thinking activity is then fleshed out, operationalised and documented in the strategic plan in what is an ongoing, iterative process (refer Model 2 below) for the organisation. As Eccles (1993) observed strategic thinking and strategic planning can be concurrent, sequential or something in between.

Model 2: Modern Strategic Management Process



Roles of Internal and External Stakeholders in Modern Strategic Management

Traditional View

The traditional view of the strategy process is one of a rational, planning oriented, "top-down" activity with an action plan passed down to line managers for implementation. Strategy formulation was traditionally the task of the Chief Executive Officer (CEO) and the top management team and little consideration was given to getting the commitment to the plan of line managers which had an adverse influence on implementation (Andersen, 2000).

Given the more uncertain environmental context that has been observed since the mid-1980s and the need for organisations to be more flexible and adaptable to the demands of customers and markets, the role of internal and external stakeholders in the strategy process has evolved. Combining insights from the management and empirical literature an evolved or sophisticated strategy process has some combination of the characteristics elaborated below (refer to Table 1) as we move "... toward an executive-driven activity balancing "hard" (quantitative) and "soft" (judgemental) tools and approaches, and focused on the implementation of strategies" (Wilson, 1994: 23).

Board of Directors

The traditional role of directors has been to question strategy recommended by the professional managers hired to run the organisation, ensure that this vision for the future strategic direction of the business is formally documented in a strategic plan, and the contents communicated to the organisation. Implementation of the plan is delegated to the professional managers. The board is traditionally required to also attend important legal, regulatory, and audit tasks (Bosch, 1995). In an organisation with an evolved strategy process all directors are required to think strategically about the organisation and not simply their field of expertise. The board continues to be responsible for selection of the CEO with greater emphasis now on a person who can think strategically and empower and train others to do the same. The empirical literature indicates that directors have limited involvement in company culture (Bonn and Christodolou, 1996).

Table 1: Roles of Internal and External Stakeholders in the Strategy Process

| | |
|---|--|
| <p><i>Company Directors Traditional</i></p> <ul style="list-style-type: none"> ✓ think strategically about their field of expertise ✓ select CEO ✓ question strategy recommended by professional managers ✓ ensure strategic plan documented ✓ ensure contents of strategic plan communicated ✓ implementation of strategic plan delegated to professional managers ✓ legal, regulatory and audit tasks <p><i>Modern Adaptation of Role</i></p> <ul style="list-style-type: none"> ✓ think strategically about the organisation | <p><i>Chief Executive Officer Traditional</i></p> <ul style="list-style-type: none"> ✓ top strategic leader ✓ responsible for strategy formulation <p><i>Modern Adaptation of Role</i></p> <ul style="list-style-type: none"> ✓ chief designer of the strategy process ✓ “top down” and “bottom up” information flow ✓ facilitates strategic conversations |
| <p><i>Strategic Planners Traditional</i></p> <ul style="list-style-type: none"> ✓ guardians and coordinators ✓ rational application of tools and techniques <p><i>Modern Adaptation of Role</i></p> <ul style="list-style-type: none"> ✓ coordinator or facilitator ✓ greater social interactive role ✓ catalyst for ideas ✓ support to line managers ✓ analysis of strategic issues ✓ programming ✓ prepare action plans ✓ participates in and facilitates strategic conversations | <p><i>Line Managers Traditional</i></p> <ul style="list-style-type: none"> ✓ excluded from strategy formulation ✓ implement action plan <p><i>Modern Adaptation of Role</i></p> <ul style="list-style-type: none"> ✓ autonomy and responsibility ✓ participates in strategy formulation and implementation ✓ “boundary spanning” ✓ think and act on the run ✓ participates in strategic conversations |

Table 1: Roles of Internal and External Stakeholders
in the Strategy Process (cont'd)

| | |
|---|--|
| <p><i>External Consultants Traditional</i></p> <ul style="list-style-type: none"> ✓ "best solution" ✓ lack of sense for implementation ✓ minimal accountability for implementation <p><i>Modern Adaptation of Role</i></p> <ul style="list-style-type: none"> ✓ more involved with line managers ✓ stronger appreciation of clients capacity to change ✓ greater involvement in client implementation | |
|---|--|

Chief Executive Officer

Traditionally, the CEO has been recognised as the top strategic leader in the organisation responsible for strategy formulation. The CEO has presided over a strategy process heavy on "top-down" information flow and strategic conversations. In this model, implementation of the strategic plan is delegated to line managers who to this point have been excluded from strategy formulation (Wilson, 1994). In a modern, evolved strategy process the CEO takes the role of chief designer of the strategy process (Lorange, 1998) which is customised to the strategy context. "Top-down" and "bottom-up" information flow and strategic conversations (Liedtka, 1998b) are encouraged in an effort to allow important strategic insights to be gained from line managers to bubble to the surface. As Markides (2000: 359–360) observes: "... strategy ... ideas can come from anybody, anywhere, any time." Allowing line managers this input to strategy assists in gaining their commitment to the organisations future strategic direction. Staff training and development, encouraging communication and creating the important supporting organisational culture (Bonn and Christodolou, 1996) are key to this approach.

Strategic Planners

Traditionally the strategic planners or internal consultants in an organisation have been seen to be guardians and coordinators of the strategy process (Bonn and Christodolou, 1996). The planners have worked inside the strategy process (Mintzberg, 1994) focusing on a rational application of the tools and techniques of strategy and the strategic plan itself with line managers excluded from the process. There is more flexibility in the role of the planner who is seen now as more of a coordinator or facilitator with a greater social interactive role in the organisation (Bonn and Christodolou, 1996). The planner is a catalyst for ideas in the organisation, providing an important support role to line managers and working around the strategy process (Mintzberg, 1994). The planners also have an important task in undertaking analysis of strategic issues, reviewing the financial and operational aspects of the messy strategic visions and solutions to strategic problems flowing from the strategic thinking activity within the organisation, providing a “bottom-line” focus (Mintzberg, 1994). The planners also engage in the formal programming of the strategy, setting out the action plan to achieve the organisation’s vision (Mintzberg, 1994).

Line Managers

The earlier discussion highlights the exclusion of line managers from strategy formulation in a traditional approach to the strategy process. “Top-down” information flow and strategic conversations with line managers given the strategic plan or an action plan to implement without involvement in strategy formulation has been seen widely in the strategy literature as a major consideration in poor strategy execution (Wilson, 1994; Mintzberg, 1994; Bonn, 1996; Bonn and Christodolou, 1996). There is a stronger appreciation that all staff can think strategically (Liedtka, 1998a; Markides, 2000; O’Shannassy, 2001b) with line managers actively seeking autonomy and responsibility in their jobs (Bonn and Christodolou, 1996; Wall and Wall, 1995). There is a stronger emphasis within organisations on culture, communication (Markides, 2000), education and training (Bonn, 1996; Bonn and Christodolou, 1996) to provide staff with the skills necessary to think, analyse and act on the run to respond to developments with respect to customers and markets. In this context, there is a greater need for support tools (for example, computer models, decision support systems), (Bonn and Christodolou, 1996). The emphasis now is on line managers playing an important “boundary spanning” role, gathering information on customer and market trends, passing this information up through the organisation

(Markides, 2000) and liaising with internal planners on the development of creative strategic ideas (Mintzberg, 1994).

External Consultants

External management consultants have traditionally led the development of the strategy paradigm. However, the contribution of external strategy consultants to client firms has been criticised in the management literature for focusing on the "best solution" with little consideration given to a clients capacity to change, and also lacked accountability for execution or otherwise of this solution (Schaffer, 1998). External consultants have in the past had little interaction with the line managers of the consultant firm and this has contributed to this shortcoming. With a more contemporary view of the role of external consultants and the manner in which they interact with client firms there is more involvement of line managers in the project, a stronger appreciation of the clients capacity to change, and greater consultant involvement in implementation (Delany, 1995).

Conclusion

We have seen that terminology in the field of strategy is highly contentious with different writers using the terms strategic planning, strategic management and now strategic thinking in different ways. The strategy paradigm has evolved considerably since the Andrews (1965) and Ansoff (1965) rational planning models were initially published. There is an increasing appreciation of "eclecticism" (Mintzberg et al, 1998) evident, a trend which lends significant support to a "broad" definition of strategic thinking proposed in this paper as a basis for future empirical research. Clearly a wide conceptualisation of strategic thinking provides superior scope to capture the various elements of the various schools of thought in strategic management applicable to an evolved or sophisticated strategy process. The elements identified in this paper (Model 1) also link well to previous empirical research by Hard and Banbury (1994) on strategy making process and Bailey, Johnson and Daniels (2000) on strategy development processes. The definitions, models and explanation of the roles on internal and external stakeholders in this paper provide a theoretical foundation on contemporary practice of strategy with a view to future empirical research. Of particular interest are the changing roles of the board of directors, CEO, strategic planners and line managers inside the organisation. External consultants are now far more focused on implementation issues than they have been in the past.

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